

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /072 W

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R 010637Z MAY 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5601

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

C O N F I D E N T I A L CANBERRA 2684

SYDNEY ALSO PASS USTC

E.O. 11652: GDS

TAGS: EGEN, AS

SUBJ: EMBASSY-AMCHAM BUSINESS LIAISON COMMITTEE - PESSIMISTIC OUTLOOK

1. AMBASSADOR, E.C. COUNSELOR AND CONSUL GENERAL HANNAH MET APRIL 30 IN SYDNEY WITH EMBASSY-AMCHAM BUSINESS LIAISON COMMITTEE. PRIMARY PURPOSE WAS REVIEW AND EXCHANGE JUDGMENTS ON AUSTRALIAN BUSINESS OUTLOOK IN LIGHT OF LATEST NATIONAL AND INTERNATIONAL POLITICAL AND ECONOMIC DEVELOPMENTS. REPRESENTATIVES PRESENT FROM NINE MAJOR BUSINESS SECTORS ASSESSED AUSTRALIAN ECONOMIC AND BUSINESS OUTLOOK FOR BALANCE OF 1975 IN TERMS RANGING FROM MODERATE TO DEEP PESSIMISM. PRINCIPAL BUSINESS CONCERNS WERE WORSENING INFLATION, REDUCED INVESTMENT AND DEMAND, AND GOVERNMENT PRICE, WAGE AND TAX POLICIES ADVERSE TO INDUSTRIAL RECOVERY.

2. AMBASSADOR REVIEWED RECENT DEVELOPMENTS IN SOUTHEAST ASIA, U.S. AND AUSTRALIA, APPRAISING THEIR EFFECTS ON U.S.-AUSTRALIA RELATIONSHIPS. REVIEW TOUCHED ON NUMEROUS PROBLEMS NOW FACED BUT ALSO EMPHASIZED FAVORABLE ASPECTS, CONFIDENTIAL

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INCLUDING STRONG BASIS FOR IMPROVED RELATIONSHIPS AND

OPTIMISM RE EVENTUAL OUTCOME OF RISING AUSTRALIAN DIALOGUE, WHICH CUTS ACROSS PARTY LINES, BETWEEN LEADERS WITH INWARD ORIENTATION AND OUTWARD-LOOKING LEADERS.

3. COMMENT: WHILE PESSIMISTIC BUSINESS SENTIMENTS IN SOME CASES MAY BE UNDULY NEGATIVE, EMBASSY AGREES, AS INDICATED IN PREVIOUS REPORTING, THAT GOA SUCCESS IN STRONG ECONOMIC STIMULATION POLICY OF PAST SIX MONTHS FAR FROM DEMONSTRATED WHILE SERIOUS INFLATION PROBLEM SHOLLY UNSOLVED. LATEST MAJOR ECONOMIC POLICY DEVELOPMENT, PUBLICLY ANNOUNCED WHILE COMMITTEE MEETING IN PROGRESS, IS ADOPTION GENERAL WAGE INDEXATION SCHEME ON QUARTERLY BASIS TIED TO CPI, AND EFFECTIVE WITH 3.6 PCT. INCREASE BASED ON RECENTLY ANNOUNCED CPI FOR MARCH QUARTER. THIS HIGHLY CONTROVERSIAL DEVELOPMENT GENERALLY DENOUNCED BY BUSINESS AS NEW BUILT-IN INFLATIONARY FORCE UNLIKELY TO SUCCEED IN STATED PURPOSE OF HEADING OFF ADDITIONAL WAGE INCREASES IN EXCESS OF INDEXATION LEVEL.  
GREEN

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